

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

|  |  |              |  |                       |  |        |  |
|--|--|--------------|--|-----------------------|--|--------|--|
| Local Government Type<br><input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |  |              |  | Local Government Name |  | County |  |
| Audit Date   |  | Opinion Date |  |                       | Date Accountant Report Submitted to State: |        |  |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

| We have enclosed the following:   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   |          |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 |              |
| Single Audit Reports (ASLGU).   |          |                 |              |

|  |  |      |       |          |
|--|--|------|-------|----------|
| Certified Public Accountant (Firm Name)                |  |      |       |          |
| Street Address   |  | City | State | ZIP Code |
| Accountant Signature<br><i>Siegfried Crandall P.C.</i> |  |      | Date  |          |

*Township of Salem*  
*Allegan County, Michigan*  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2005*

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## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Salem, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Salem, Michigan, as of June 30, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Salem, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Salem, Michigan, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 15 through 18, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Salem, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Board of Trustees  
Township of Salem, Michigan  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Salem, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sigfried Crandall A.C.*

October 6, 2005

## **BASIC FINANCIAL STATEMENTS**

**Township of Salem**  
**STATEMENT OF NET ASSETS**  
*June 30, 2005*

|   | <u><b>Governmental<br/>activities</b></u> |
|---|---|
| <b>ASSETS</b>                                   |   |
| Current assets:                                 |   |
| Cash  | \$ 786,530                                |
| Prepaid expenses                                | 14,229                                    |
| Receivables, net                                | <u>117,094</u>                            |
| Total current assets                            | 917,853                                   |
| Noncurrent assets:                              |   |
| Capital assets, net of accumulated depreciation | <u>1,903,211</u>                          |
| Total assets                                    | <u>2,821,064</u>                          |
| <b>LIABILITIES</b>                              |   |
| Current liabilities:                            |   |
| Accounts payable                                | 22,278                                    |
| Accrued liabilities                             | 28,928                                    |
| Due to other governmental units                 | -   |
| Current maturities of long-term debt            | <u>7,774</u>                              |
| Total current liabilities                       | <u>58,980</u>                             |
| Noncurrent liabilities:                         |   |
| Long-term debt                                  | <u>-</u>                                  |
| Total liabilities                               | <u>58,980</u>                             |
| <b>NET ASSETS</b>                               |   |
| Invested in capital assets, net of related debt | 1,895,437                                 |
| Restricted for:                                 |   |
| Public safety                                   | 176,498                                   |
| Public works                                    | 352,202                                   |
| Recreation and culture                          | 66,041                                    |
| Unrestricted, unallocated                       | <u>271,906</u>                            |
| Total net assets                                | <u>\$ 2,762,084</u>                       |

See notes to financial statements

**Township of Salem**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2005

|  | <u>Program revenues</u> |                             |   | <u>Net (expenses) revenues and changes in net assets</u> |
|--|-------------------------|-----------------------------|---|--|
|  | <u>Expenses</u>         | <u>Charges for services</u> | <u>Operating grants and contributions</u> | <u>Governmental activities</u>                           |
| <b>Functions /Programs:</b>                    |                         |                             |   |  |
| Governmental activities:                       |                         |                             |   |  |
| Legislative                                    | \$ 5,734                | \$ -                        | \$ -                                      | \$ (5,734)   |
| General government                             | 198,100                 | 42,590                      | -   | (155,510)  |
| Public safety                                  | 239,762                 | 95,718                      | -   | (144,044)  |
| Public works                                   | 91,093                  | -                           | 5,585                                     | (85,508)   |
| Health and welfare                             | 6,000                   | -                           | -   | (6,000)  |
| Community and economic development             | 38,336                  | 7,420                       | -   | (30,916)   |
| Recreation and culture                         | 107,589                 | 26,470                      | 3,037                                     | (78,082)   |
| Interest on long-term debt                     | 5,763                   | -                           | -   | (5,763)  |
| Total governmental activities                  | <u>\$ 692,377</u>       | <u>\$ 172,198</u>           | <u>\$ 8,622</u>                           | <u>(511,557)</u>   |
| General revenues:                              |                         |                             |   |  |
| Taxes  |                         |                             |   | 662,365  |
| State grants                                   |                         |                             |   | 272,353  |
| Investment income                              |                         |                             |   | 11,558   |
| Other  |                         |                             |   | 111,096  |
| Special item - gain on disposal of fixed asset |                         |                             |   | <u>1,604</u>   |
| Total general revenues                         |                         |                             |   | <u>1,058,976</u>   |
| <b>Change in net assets</b>                    |                         |                             |   | 547,419  |
| <b>Net assets - beginning</b>                  |                         |                             |   | <u>2,214,665</u>   |
| <b>Net assets - ending</b>                     |                         |                             |   | <u>\$ 2,762,084</u>                                      |

See notes to financial statements



**Township of Salem**  
**BALANCE SHEET - governmental funds**  
June 30, 2005

|  | <u>General</u>    | <u>Road</u>       | <u>Fire</u>       | <u>Other<br/>nonmajor<br/>fund</u> | <u>Total</u>      |
|--|-------------------|-------------------|-------------------|------------------------------------|-------------------|
| <b>ASSETS</b>                          |                   |                   |                   |                                    |                   |
| Cash                                   | \$ 207,824        | \$ 357,202        | \$ 158,933        | \$ 62,571                          | \$ 786,530        |
| Receivables                            | 11,979            | -                 | 3,663             | 3,470                              | 19,112            |
| Prepaid expenses                       | 14,229            | -                 | -                 | -                                  | 14,229            |
| Due from other funds                   | -                 | 10,000            | 15,000            | -                                  | 25,000            |
| Due from other governmental<br>units   | 97,982            | -                 | -                 | -                                  | 97,982            |
| Total assets                           | <u>\$ 332,014</u> | <u>\$ 367,202</u> | <u>\$ 177,596</u> | <u>\$ 66,041</u>                   | <u>\$ 942,853</u> |
| <b>LIABILITIES AND FUND BALANCES</b>   |                   |                   |                   |                                    |                   |
| Liabilities:                           |                   |                   |                   |                                    |                   |
| Accounts payable                       | \$ 21,180         | \$ -              | \$ 1,098          | \$ -                               | \$ 22,278         |
| Accrued liabilities                    | 28,928            | -                 | -                 | -                                  | 28,928            |
| Due to other funds                     | 10,000            | 15,000            | -                 | -                                  | 25,000            |
| Due to other governmental units        | -                 | -                 | -                 | -                                  | -                 |
| Total liabilities                      | <u>60,108</u>     | <u>15,000</u>     | <u>1,098</u>      | <u>-</u>                           | <u>76,206</u>     |
| Fund balances:                         |                   |                   |                   |                                    |                   |
| Unrestricted:                          |                   |                   |                   |                                    |                   |
| Designated                             | -                 | -                 | 176,498           | -                                  | 176,498           |
| Undesignated                           | <u>271,906</u>    | <u>352,202</u>    | <u>-</u>          | <u>66,041</u>                      | <u>690,149</u>    |
| Total fund balances                    | <u>271,906</u>    | <u>352,202</u>    | <u>176,498</u>    | <u>66,041</u>                      | <u>866,647</u>    |
| Total liabilities and<br>fund balances | <u>\$ 332,014</u> | <u>\$ 367,202</u> | <u>\$ 177,596</u> | <u>\$ 66,041</u>                   | <u>\$ 942,853</u> |

Total fund balances \$ 866,647

Amounts reported for *governmental activities* in the statement of net assets (page 5)  
are different because:

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported in the funds. 1,903,211

Long-term liabilities, including bonds and contracts payable, are not due and  
payable in the current period and, therefore, are not reported in the funds. (7,774)

Net assets of governmental funds \$ 2,762,084

See notes to financial statements

**Township of Salem****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds**

Year ended June 30, 2005

|  | <u>General</u>    | <u>Road</u>       | <u>Fire</u>       | <u>Other<br/>nonmajor<br/>fund</u> | <u>Total</u>      |
|--|-------------------|-------------------|-------------------|------------------------------------|-------------------|
| <b>REVENUES</b>  |                   |                   |                   |                                    |                   |
| Taxes  | \$ 93,433         | \$ 466,786        | \$ 66,651         | \$ 35,495                          | \$ 662,365        |
| Licenses and permits   | 105,195           | -                 | -                 | -                                  | 105,195           |
| State grants   | 277,938           | -                 | -                 | 3,037                              | 280,975           |
| Charges for services   | 21,712            | -                 | -                 | 485                                | 22,197            |
| Fines and forfeitures  | -                 | -                 | -                 | 25,985                             | 25,985            |
| Interest and rentals   | 18,195            | 3,301             | 1,135             | 2,687                              | 25,318            |
| Other  | 25,776            | -                 | 86,596            | 3,785                              | 116,157           |
| Total revenues   | <u>542,249</u>    | <u>470,087</u>    | <u>154,382</u>    | <u>71,474</u>                      | <u>1,238,192</u>  |
| <b>EXPENDITURES</b>  |                   |                   |                   |                                    |                   |
| Legislative  | 5,734             | -                 | -                 | -                                  | 5,734             |
| General government   | 166,312           | -                 | -                 | -                                  | 166,312           |
| Public safety  | 206,222           | -                 | 4,433             | -                                  | 210,655           |
| Public works   | 57,608            | 383,414           | -                 | -                                  | 441,022           |
| Health and welfare   | 6,000             | -                 | -                 | -                                  | 6,000             |
| Community and economic development                           | 38,336            | -                 | -                 | -                                  | 38,336            |
| Recreation and culture                                       | 60,744            | -                 | -                 | 42,721                             | 103,465           |
| Capital outlay   | 39,692            | -                 | 102,369           | -                                  | 142,061           |
| Debt service:  |                   |                   |                   |                                    |                   |
| Principal  | 14,386            | 66,028            | -                 | -                                  | 80,414            |
| Interest   | 1,458             | 4,305             | -                 | -                                  | 5,763             |
| Total expenditures   | <u>596,492</u>    | <u>453,747</u>    | <u>106,802</u>    | <u>42,721</u>                      | <u>1,199,762</u>  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | (54,243)          | 16,340            | 47,580            | 28,753                             | 38,430            |
| <b>FUND BALANCES - BEGINNING</b>                             | <u>326,149</u>    | <u>335,862</u>    | <u>128,918</u>    | <u>37,288</u>                      | <u>828,217</u>    |
| <b>FUND BALANCES - ENDING</b>                                | <u>\$ 271,906</u> | <u>\$ 352,202</u> | <u>\$ 176,498</u> | <u>\$ 66,041</u>                   | <u>\$ 866,647</u> |

Net change in fund balances - total governmental funds \$ 38,430

Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

428,575

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

80,414

Change in net assets of *governmental activities*

\$ 547,419

See notes to financial statements

**Township of Salem**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Salem, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

**a) *Reporting entity:***

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

**b) *Government-wide and fund financial statements:***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**c) *Measurement focus, basis of accounting, and financial statement presentation:***

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Township of Salem**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund accounts for the construction and maintenance of roads.

The Fire Fund accounts for the purchase and acquisition of equipment.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector standards.

Amounts reported as program revenue include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and interest income.

*d) Assets, liabilities, and net assets or equity:*

- i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.
- ii) Receivables and payables* - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All receivables are considered to be fully collectible.

- iii) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**Township of Salem**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity (continued):**

- iii) *Capital assets (continued)* - The Township has the option of accounting for infrastructure assets retroactively to June 30, 1980, or prospectively beginning July 1, 2003. The Township has elected to account for infrastructure assets on the prospective basis. The Township includes shared road costs in its infrastructure. These costs represent the Township's portion of public road improvements for roads within the Township, which are owned by the County of Allegan.

Capital assets are depreciated using the straight-line method over the following useful lives:

|                            |              |
|----------------------------|--------------|
| Land improvements          | 40 years     |
| Buildings and improvements | 40 years     |
| Equipment                  | 5 - 10 years |
| Vehicles                   | 5 - 20 years |
| Shared road costs          | 20 years     |

- iv) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the function level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The following schedule sets forth significant budget variations:

| <u>Fund</u> | <u>Function</u>                    | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------|------------------------------------|---------------|---------------|-----------------|
| General     | Community and economic development | \$ 32,825     | \$ 38,336     | \$ (5,511)      |
|             | Capital outlay                     | -             | 39,692        | (39,692)        |
|             | Debt service - principal           | -             | 14,386        | (14,386)        |
|             | Public works                       | 371,830       | 383,414       | (11,584)        |
| Road        | Public safety                      | -             | 4,433         | (4,433)         |
| Fire        | Capital outlay                     | 8,000         | 102,369       | (94,369)        |

***Township of Salem***  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - DEPOSITS:**

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At June 30, 2005, the Township has deposits with a carrying amount of \$786,530 and a bank balance of \$790,405. Of the bank balance \$108,480 is covered by federal depository insurance, and \$681,925 is uninsured.

**NOTE 4 - RECEIVABLES:**

As of June 30, 2005, the Township's receivables are as follows:

|                   | <u>General</u>    | <u>Library</u>  | <u>Total</u>      |
|-------------------|-------------------|-----------------|-------------------|
| Accounts          | \$ 11,979         | \$ 1,953        | \$ 13,932         |
| Intergovernmental | <u>97,982</u>     | <u>1,517</u>    | <u>99,499</u>     |
| Totals            | <u>\$ 109,961</u> | <u>\$ 3,470</u> | <u>\$ 113,431</u> |

All receivables are due within one year.

**Township of Salem**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2005, was as follows:

|  | <u>Beginning<br/>balance</u> | <u>Increases</u>  | <u>Decreases</u> | <u>Ending<br/>balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Governmental activities:                       |                              |                   |                  |                           |
| Capital assets not being depreciated -<br>land | \$ 95,800                    | \$ -              | \$ -             | \$ 95,800                 |
| Capital assets being depreciated:              |                              |                   |                  |                           |
| Land improvements                              | 94,094                       | -                 | -                | 94,094                    |
| Buildings and improvements                     | 942,201                      | 14,218            | -                | 956,419                   |
| Equipment                                      | 176,161                      | 140,737           | 7,400            | 309,498                   |
| Vehicles                                       | 491,935                      | -                 | -                | 491,935                   |
| Roads  | 414,063                      | 383,413           | -                | 797,476                   |
| Subtotal                                       | <u>2,118,454</u>             | <u>538,368</u>    | <u>7,400</u>     | <u>2,649,422</u>          |
| Less accumulated depreciation for:             |                              |                   |                  |                           |
| Land improvements                              | 2,352                        | 4,705             | -                | 7,057                     |
| Buildings and improvements                     | 346,237                      | 23,734            | -                | 369,971                   |
| Equipment                                      | 87,583                       | 20,987            | 5,704            | 102,866                   |
| Vehicles                                       | 293,094                      | 25,187            | -                | 318,281                   |
| Roads  | 10,352                       | 33,484            | -                | 43,836                    |
| Subtotal                                       | <u>739,618</u>               | <u>108,097</u>    | <u>5,704</u>     | <u>842,011</u>            |
| Total capital assets being<br>depreciated, net | <u>1,378,836</u>             | <u>430,271</u>    | <u>1,696</u>     | <u>1,807,411</u>          |
| Governmental activities capital assets, net    | <u>\$ 1,474,636</u>          | <u>\$ 430,271</u> | <u>\$ 1,696</u>  | <u>\$ 1,903,211</u>       |

Depreciation expense was charged to functions of the Township as follows:

|                               |                |
|-------------------------------|----------------|
| Governmental activities:      |                |
| General government            | \$ 27,022      |
| Public safety                 | 27,133         |
| Public works                  | 33,484         |
| Recreation and culture        | <u>20,458</u>  |
| Total governmental activities | <u>108,097</u> |

**Township of Salem**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - LONG-TERM DEBT:**

Long-term debt at June 30, 2005, is comprised of the following issues:

*Commercial loan:*

\$36,324 2000 Commercial loan with Byron State Bank, secured by lawn tractor (P.A. 99), due in annual installments through July 15, 2005; interest at 5.5% \$ 8,206

Long-term liability activity for the year ended March 31, 2005, was as follows:

|                             | <u>Beginning<br/>balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>balance</u> | <u>Amounts<br/>due within<br/>one year</u> |
|-----------------------------|------------------------------|------------------|-------------------|---------------------------|--|
| Commercial loan - tractor   | \$ 15,349                    | \$ -             | \$ 7,575          | \$ 7,774                  | \$ 7,774                                   |
| Bond payable - roads        | 35,000                       | -                | 35,000            | -                         | -  |
| Assessment payable - drains | <u>37,839</u>                | <u>-</u>         | <u>37,839</u>     | <u>-</u>                  | <u>-</u>                                   |
| Total liabilities           | <u>\$ 88,188</u>             | <u>\$ -</u>      | <u>\$ 80,414</u>  | <u>\$ 7,774</u>           | <u>\$ 7,774</u>                            |

Debt service requirements at June 30, 2005, are as follows:

|                     | <u>Principal</u> | <u>Interest</u> |
|---------------------|------------------|-----------------|
| Year ended June 30: |                  |                 |
| 2006                | \$ 7,774         | \$ 432          |

**NOTE 7 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 8 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended June 30, 2005, is as follows:

|                                  |                |
|----------------------------------|----------------|
| Revenues                         | \$ 81,718      |
| Expenses                         | <u>81,743</u>  |
| Excess of expenses over revenues | <u>\$ (25)</u> |



## REQUIRED SUPPLEMENTARY INFORMATION

**Township of Salem**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended June 30, 2005

|                          | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>  | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|--------------------------|----------------------------|---------------------------|----------------|---|
| <b>REVENUES</b>          |                            |                           |                |   |
| Taxes                    | \$ 90,000                  | \$ 92,673                 | \$ 93,433      | \$ 760  |
| Licenses and permits     | 80,000                     | 86,430                    | 105,195        | 18,765  |
| State grants             | 285,000                    | 274,877                   | 277,938        | 3,061   |
| Charges for services     | 44,000                     | 32,389                    | 21,712         | (10,677)  |
| Interest and rentals     | -                          | -                         | 18,195         | 18,195  |
| Other                    | 40,000                     | 59,012                    | 25,776         | (33,236)  |
| Total revenues           | <u>539,000</u>             | <u>545,381</u>            | <u>542,249</u> | <u>(3,132)</u>                                  |
| <b>EXPENDITURES</b>      |                            |                           |                |   |
| Legislative              | <u>6,160</u>               | <u>5,735</u>              | <u>5,734</u>   | <u>1</u>  |
| General government:      |                            |                           |                |   |
| Supervisor               | 16,783                     | 17,190                    | 17,190         | -   |
| Election                 | 5,000                      | 5,271                     | 4,873          | 398   |
| Assessor                 | 11,500                     | 11,018                    | 11,044         | (26)  |
| Clerk                    | 13,238                     | 13,238                    | 13,230         | 8   |
| Board of review          | 750                        | 860                       | 859            | 1   |
| Treasurer                | 13,438                     | 13,278                    | 13,396         | (118)   |
| Hall and grounds         | 52,000                     | 47,564                    | 35,214         | 12,350  |
| Cemetery                 | 21,000                     | 20,673                    | 13,280         | 7,393   |
| Other                    | 60,000                     | 72,156                    | 57,226         | 14,930  |
| Total general government | <u>193,709</u>             | <u>201,248</u>            | <u>166,312</u> | <u>34,936</u>                                   |
| Public safety:           |                            |                           |                |   |
| Police                   | 56,000                     | 58,842                    | 57,614         | 1,228   |
| Fire                     | 55,000                     | 70,863                    | 66,865         | 3,998   |
| Building inspections     | 70,000                     | 81,121                    | 81,743         | (622)   |
| Total public safety      | <u>181,000</u>             | <u>210,826</u>            | <u>206,222</u> | <u>4,604</u>                                    |
| Public works:            |                            |                           |                |   |
| Highways and streets     | 35,000                     | 41,946                    | 30,895         | 11,051  |
| Street lights            | -                          | -                         | 1,395          | (1,395)   |
| Transfer station         | 25,000                     | 21,490                    | 21,771         | (281)   |
| Drains                   | 5,000                      | 10,945                    | 3,547          | 7,398   |
| Total public works       | <u>65,000</u>              | <u>74,381</u>             | <u>57,608</u>  | <u>16,773</u>                                   |

**Township of Salem**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended June 30, 2005

|  | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>     | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|--|----------------------------|---------------------------|-------------------|---|
| <b>EXPENDITURES (Continued)</b>  |                            |                           |                   |   |
| Health and welfare - ambulance   | \$ 6,000                   | \$ 6,000                  | \$ 6,000          | \$ -  |
| Community and economic development -<br>community planning and development | 54,000                     | 32,825                    | 38,336            | (5,511)   |
| Recreation and culture:  |                            |                           |                   |   |
| Library  | 57,000                     | 59,404                    | 57,987            | 1,417   |
| Parks and recreation   | 20,000                     | 2,757                     | 2,757             | -   |
| Total recreation and culture   | 77,000                     | 62,161                    | 60,744            | 1,417   |
| Capital outlay   | -                          | -                         | 39,692            | (39,692)  |
| Debt service:  |                            |                           |                   |   |
| Principal  | -                          | -                         | 14,386            | (14,386)  |
| Interest   | -                          | -                         | 1,458             | (1,458)   |
| Total expenditures   | 582,869                    | 593,176                   | 596,492           | (3,316)   |
| <b>DEFICIENCY OF REVENUES OVER<br/>EXPENDITURES</b>                        | (43,869)                   | (47,795)                  | (54,243)          | (6,448)   |
| <b>FUND BALANCES - BEGINNING</b>   | 326,149                    | 326,149                   | 326,149           | -   |
| <b>FUND BALANCES - ENDING</b>  | <u>\$ 282,280</u>          | <u>\$ 278,354</u>         | <u>\$ 271,906</u> | <u>\$ (6,448)</u>                               |

**Township of Salem**  
**BUDGETARY COMPARISON SCHEDULE - Road Fund**  
Year ended June 30, 2005

|   | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>     | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|---|----------------------------|---------------------------|-------------------|---|
| <b>REVENUES</b>                             |                            |                           |                   |   |
| Taxes                                       | \$ 453,000                 | \$ 453,000                | \$ 466,786        | \$ 13,786                                       |
| Interest                                    | <u>4,000</u>               | <u>4,000</u>              | <u>3,301</u>      | <u>(699)</u>                                    |
| Total revenues                              | <u>457,000</u>             | <u>457,000</u>            | <u>470,087</u>    | <u>13,087</u>                                   |
| <b>EXPENDITURES</b>                         |                            |                           |                   |   |
| Public works                                | 371,830                    | 371,830                   | 383,414           | (11,584)  |
| Debt service:                               |                            |                           |                   |   |
| Principal                                   | 66,028                     | 66,028                    | 66,028            | -   |
| Interest                                    | <u>4,305</u>               | <u>4,305</u>              | <u>4,305</u>      | <u>-</u>  |
| Total expenditures                          | <u>442,163</u>             | <u>442,163</u>            | <u>453,747</u>    | <u>(11,584)</u>                                 |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> | 14,837                     | 14,837                    | 16,340            | 1,503   |
| <b>FUND BALANCES - BEGINNING</b>            | <u>335,862</u>             | <u>335,862</u>            | <u>335,862</u>    | <u>-</u>  |
| <b>FUND BALANCES - ENDING</b>               | <u>\$ 350,699</u>          | <u>\$ 350,699</u>         | <u>\$ 352,202</u> | <u>\$ 1,503</u>                                 |

**Township of Salem**  
**BUDGETARY COMPARISON SCHEDULE - Fire Fund**  
Year ended June 30, 2005

|   | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>     | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|---|----------------------------|---------------------------|-------------------|---|
| <b>REVENUES</b>                                 |                            |                           |                   |   |
| Taxes   | \$ 65,000                  | \$ 65,000                 | \$ 66,651         | \$ 1,651  |
| Interest  | 750                        | 750                       | 1,135             | 385   |
| Other   | <u>-</u>                   | <u>-</u>                  | <u>86,596</u>     | <u>86,596</u>                                   |
| Total revenues                                  | <u>65,750</u>              | <u>65,750</u>             | <u>154,382</u>    | <u>88,632</u>                                   |
| <b>EXPENDITURES</b>                             |                            |                           |                   |   |
| Public safety                                   | -                          | -                         | 4,433             | (4,433)   |
| Capital outlay                                  | <u>8,000</u>               | <u>8,000</u>              | <u>102,369</u>    | <u>(94,369)</u>                                 |
| Total expenditures                              | <u>8,000</u>               | <u>8,000</u>              | <u>106,802</u>    | <u>(98,802)</u>                                 |
| <b>EXCESS OF REVENUES OVER<br/>EXPENDITURES</b> | 57,750                     | 57,750                    | 47,580            | (10,170)  |
| <b>FUND BALANCES - BEGINNING</b>                | <u>128,918</u>             | <u>128,918</u>            | <u>128,918</u>    | <u>-</u>  |
| <b>FUND BALANCES - ENDING</b>                   | <u>\$ 186,668</u>          | <u>\$ 186,668</u>         | <u>\$ 176,498</u> | <u>\$ (10,170)</u>                              |

## **SUPPLEMENTARY INFORMATION**

**Township of Salem**  
**BUDGETARY COMPARISON SCHEDULE - Other nonmajor - Library Fund**  
Year ended June 30, 2005

|   | <u>Amended<br/>budget</u> | <u>Actual</u>     | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|---|---------------------------|-------------------|---|
| <b>REVENUES</b>                             |                           |                   |   |
| Taxes                                       | \$ 36,000                 | \$ 35,495         | \$ (505)  |
| State grants                                | 4,000                     | 3,037             | (963)   |
| Fines and forfeitures                       | 26,400                    | 25,985            | (415)   |
| Interest and rentals                        | 3,200                     | 2,687             | (513)   |
| Other                                       | 4,760                     | 4,270             | (490)   |
| Total revenues                              | 74,360                    | 71,474            | (2,886)   |
| <b>EXPENDITURES</b>                         |                           |                   |   |
| Recreation and culture                      | 49,327                    | 42,721            | 6,606   |
| Total expenditures                          | 49,327                    | 42,721            | 6,606   |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> | 25,033                    | 28,753            | 3,720   |
| <b>FUND BALANCES - BEGINNING</b>            | 128,903                   | 128,903           | -   |
| <b>FUND BALANCES - ENDING</b>               | <u>\$ 153,936</u>         | <u>\$ 157,656</u> | <u>\$ 3,720</u>                                 |